

Message Text

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72

ACTION EUR-25

INFO OCT-01 ISO-00 SCEM-02 INT-08 TAR-02 SPC-03 AID-20

EB-11 NSC-10 RSC-01 CIEP-02 TRSE-00 SS-15 STR-08

OMB-01 CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

XMB-07 OPIC-12 LAB-06 SIL-01 PA-03 PRS-01 USIA-15

DRC-01 /169 W

----- 126172

R 022036Z OCT 73

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 1844

INFO AMCONSUL VANCOUVER

UNCLAS OTTAWA 2363

E.O. 11652: N/A

TAGS: ENRG, CA, US

SUBJECT: CHERRY POINT REFINERIES: CANADIAN CRUDE PROPOSAL

1. OCTOBER 2 TORONTO GLOBE AND MAIL QUOTES ENERGY MINISTER MACDONALD AS STATING IN VICTORIA, B.C., THAT CANADA IS WILLING TO SUPPLY WASHINGTON STATE REFINERIES WITH 100 PERCENT OF THEIR CRUDE OIL NEEDS BY PIPELINE IN EXCHANGE FOR TANKER BAN AND THAT GOC IS WILLING TO MAKE PERMANENT EXCEPTION FOR WASHINGTON STATE TO ANY CUTBACK IN OIL EXPORTS. OFFER LIMITED TO EXISTING REFINERIES "PLUS THOSE THAT ARISE FROM NATURAL GROWTH."

2. IN INTERVIEW, MACDONALD ALSO ATTRIBUTED WITH STATEMENT THAT RECENT CUTBACKS IN PIPELINE DELIVERIES TO WASHINGTON STATE WERE PARTLY RESULT OF LACK OF CAPACITY BY TRANSMOUNTAIN WHICH HAS NOT BEEN EXPANDING TO MEET INCREASING DEMAND BECAUSE COMPANY EXPECTS TO LOSE ITS U.S. CUSTOMERS COMPLETELY IN FIVE YEARS WITH ADVENT OF ALASKA TANKERS.

3. MACDONALD ALSO REPORTEDLY ACKNOWLEDGED OPPOSITION TO PROPOSAL THAT WOULD COME FROM U.S. MIDWEST, ATLANTIC
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RICHFIELD BECAUSE OF ITS HEAVY INVESTMENT IN PORT FACILITIES,

AND WHITE HOUSE WHICH "HAS BEEN COOL TO THIS CONCEPT, FOR REASONS KNOWN ONLY TO THEMSELVES."

4. MACDONALD FURTHER STATED, ACCORDING TO GLOBE AND MAIL, THAT TRANSMOUNTAIN HAS CONTINGENCY PLAN TO LOOP PRESENT PIPELINE IF WASHINGTON REFINERIES ACCEPT CANADIAN OFFER.
SCHMIDT

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, PETROLEUM REFINING, PETROLEUM TRANSPORTATION
Control Number: n/a
Copy: SINGLE
Draft Date: 02 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973OTTAWA02363
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731056/aaaabpej.tel
Line Count: 68
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 22 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22-Aug-2001 by phillir0>; APPROVED <31-Dec-2001 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHERRY POINT REFINERIES: CANADIAN CRUDE PROPOSAL
TAGS: ENRG, CA, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005